P.O. Box 9995 GEORGE, 6530 Western Cape South Africa Fax: 086 510 8357 Cell: 082 568 4719 E-mail: perceptionenvplg@gmail.com CC Reg. No. 2003/102950/23 Our ref: KNY/Masifundi Housing/NID/09 Your ref:



BY HAND 3rd March 2009

Accounting Officer: Heritage Resources Management Service Heritage Western Cape Private Bag X 9067 CAPE TOWN 8000

Attention: Muammar Abrahams,

NOTIFICATION OF INTENT TO DEVELOP (INCLUDING HERITAGE STATEMENT) IN TERMS OF SECTION 38 OF THE NATIONAL HERITAGE RESOURCES ACT (ACT 25 OF 1999): PROPOSED MASIFUNDE REDEVELOPMENT PROJECT: VARIOUS ERVEN, DISTRICT KNYSNA

- 1. The abovementioned proposal refers.
- 2. Attached herewith please find a formal application (NID) for the above, including five colour copies of a Notice of Intent to Develop (including Heritage Statement), within which official application forms are attached.
- 3. It is trusted that the above would be sufficient so as to allow you to adjudicate the said application. However, should you have any further queries, please do not hesitate to contact the writer.

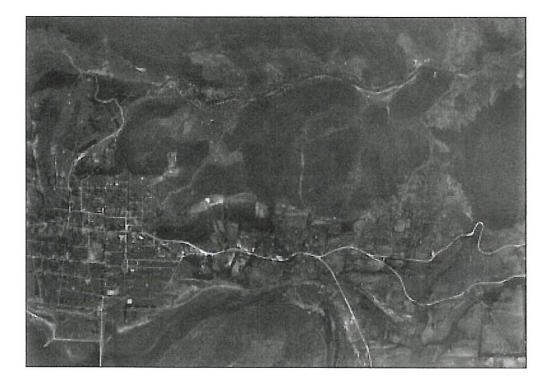
Yours faithfully, PERCEPTION Environmental Planning

STEFAN DE KOCK B-Tech: TRP(SA) TRP(IRL) EIA Mgmt(IRL) MIPI AHAP

HERITAGE RESOURCE MANAGEMENT SERVICE
ONTVANG / RECEIVED
2009 -03- 0 6
ERFENISHULPBRON BESTUURDIENS

HERITAGE STATEMENT (NOTIFICATION OF INTENT TO DEVELOP) IN TERMS OF SECTION 38 OF THE NATIONAL HERITAGE RESOURCES ACT, 1999 (ACT 25 OF 1999):

MASIFUNDE NODE REDEVELOPMENT PROJECT: VARIOUS ERVEN (MASIFUNDE TOWNSHIP), DISTRICT KNYSNA



ON BEHALF OF: KNYSNA MUNICIPALITY

2009 -03- 0 6

ERFENISHULPBRON BESTUURDIENS

HERITAGE RESOURCE MANAGEMENT SERVICE

MARCH 2009

STÉFAN DE KOCK PERCEPTION Environmental Planning PO Box 9995 GEORGE 6530 Tel: 082 568 4719 Fax: 086 510 8357 E-mail: perceptionenvplg@gmail.com



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MASIFUNDE NODE REDEVELOPMENT PROJECT, KNYSNA

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REFERENCES and ACKNOWLEDGEMENTS:

- 1. Kathleen Schulz, South Cape Historian
- 2. George Museum Archives



1. INTRODUCTION

PERCEPTION Environmental Planning has been appointed by Bluepebble Independent Environmental Agency (on behalf of Knysna Municipality) to compile and lodge a Notice of Intent to Develop to Heritage Western Cape in terms of Section 38 of the National Heritage Resources Act, 1999 (Act 25 of 1999) to Heritage Western Cape. Details of the proposed development are as set out in paragraph 3 below.

The official Notice of Intent to Develop application form is attached as Annexure 1. A power of attorney from Bluepebble Independent Environmental Agency, for submission of this Notice of Intent to Develop is attached as Annexure 2.

2. BACKGROUND

The Masifunde Node is an underdeveloped area consisting mostly of low cost and informal housing with some (limited) informal trading and house shops. The proposal stems from a joint initiative by the Knysna Municipality and the National Treasury and aims to unlock development opportunities, mostly on Municipalowned land, to significantly benefit the local community through:

- Job and Wealth Creation
- Skills, Business and Infrastructure Development
- Social Upliftment
- Local Economic Development

An application in terms of the National Environmental Management Act, 1998 (Act 107 of 1998) has been initiated through a Notice of Intent to Develop to be compiled, submitted to the Department of Environmental Affairs and Development Planning (DEA&DP) by Bluepebble Independent Environmental Agency. Subsequently *PERCEPTION Environmental Planning* has been commissioned to compile and submit to Heritage Western Cape a Notice of Intent to Develop (NID) and Heritage Statement for adjudication.

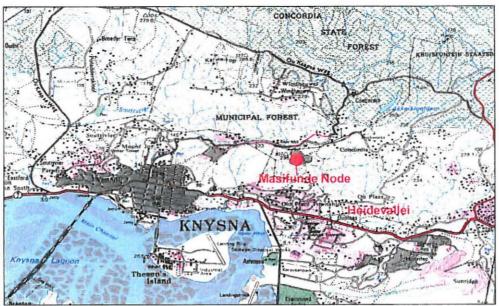
NOTE: This Heritage Statement should be read in conjunction with the NID application form attached as Annexure 1 hereto.

3. STUDY AREA

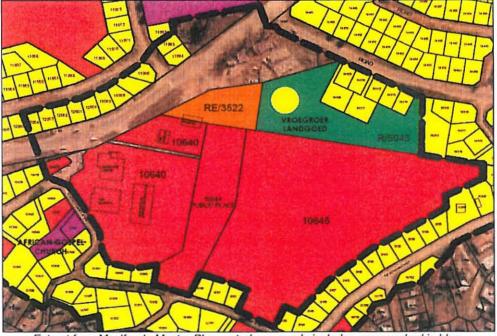
Consisting of a total of 23 individual cadastral land units, the study area (hereafter referred to as "the site") comprises an area of approximately 4,6037ha. The site is situate within an undulating landscape and set within a spatially isolated and underdeveloped urban area, northeast of the Knysna town centre and directly north of Old Place residential township as shown on the locality plan inserted on the top of page 3. Vehicular access to the site is directly from the Concordia Road.

The site includes a row of residential erven along (directly north of) the Concordia Road from where it extends southward including the existing Library, Community (Love Life) centre and a vacant portion of municipal-owned land (Erven 10644, 10645). The latter two properties are directly east of the Library and Community centre and forms part of two small but fairly steep valleys, which enters onto a level area currently used as a sports field and occasionally, as place of worship (Also refer to photographs attached as Annexure 3). Existing land use is as indicated on Annexure 4.





Locality plan, extract from 1:50,000 Topo-cadastral plan (Source: CDSM).



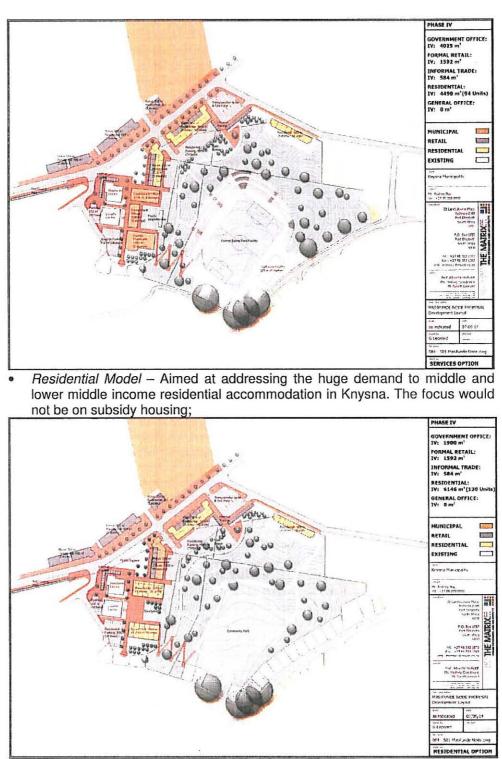
Extract from Masifunde Master Plan - study area only includes area marked in blue

4. PROPOSED DEVELOPMENT

Currently only in a conceptual phase as set out in detail in the Masifunde Operational Plan (Annexure 5), three development models are currently considered, namely:

 Services Model – Redeveloping of the site mainly as office space with related retail activities. The Library would be expanded to expand services and the Love Life centre would be utilised as a training centre in conjunction with the Library;





 Community Model – Would provide the local community with a social service point (clinic, library, community hall) as well as small trading facility and recreational node in the form of sport facilities and a park.





NOTE: Designs prepared by The Matrix Urban Designers and Architects (Used with permission)

5. RELEVANT POLICY GUIDELINES

5.1 Knysna Draft Spatial Development Framework (2006)

Section C 6.2.1 (b) of this draft policy guideline document states that Masifunde requires greater development of, "services and facilities". Some (nodal) intensification along the Concordia Road is also proposed. This is reiterated in Section 8.2.1 (i) where further development of the Masifunde as a secondary node is proposed.

In light of the above and taken in conjunction with this initiative (being partly driven by the Knysna Municipality), it is considered that the proposal would be consistent with the said draft policy guideline document.

6. HISTORICAL BACKGROUND

This section of the report was compiled by Kathleen Schulz, Southern Cape Historian and does not include detailed archival research.

The land on which the site is situated was registered as a loan farm in 1770 in favour of Stefanus Terblanch then referred to as Melkhoutkraal¹. In 1798 an inventory was drawn up for the farm Melkhoutkraal after the death of Hester Marx, wife of Stefanus Terblanch, confirming that the couple were still occupying the farm at that time. 12 slaves are recorded in the inventory as being owned by Stefanus Terblanch. Substantial farming activities are recorded. S. Terblanch owned 508 sheep, 133 cattle, 42 oxen for drawing wagons and 16 horses. The



¹ Cape Town Archives (CTA) RLR file series. Number not available.

harvesting of large quantities of indigenous wood from the surrounding forests is evident from the inventory. He was clearly utilizing a large quantity of his loan farm, the exact extent of which is undefined in the loan farm records².

In 1816 the farm Melkhoutkraal was granted by means of Quitrent to George Rex, the extent of which was recorded as 2948 morgen (2525 hectares)³. George Rex made an application for occupation of Melkhoutkraal as early as 1809, therefore it is unclear when he actually took occupational rights. (See S.G. Diagram 252/1816 attached as Annexure 6).

The area known as "Jood se Kamp" was alienated from Melkhoutkraal in 1845 after the death of George Rex in c. 1840.⁴ (See Annexure 6 for S.G. Diagram 293/1845). The sub-division was registered in the name of his wife and three sons who inherited Melkhoutkraal, namely Carolina Margaretha Ungerer, Edward Rex, Jacob G Rex and George Rex Jnr⁵. The reason for the sub-division has not been established.

In 1873 a new diagram was framed in order transfer the sub-division mentioned above to Samuel Goldsbury, the then recently appointed Magistrate of Knysna, who held the land in Trust for residents of a newly established township named Newhaven⁶. (See Annexure 6 for S.G. Diagram 328/1873). Presumably Samuel Goldsbury was Jewish. Perhaps this is the reason why the surrounds were colloquially named "Jood se Kamp".

In 1934 the New Apostolic Church registered ownership of a piece of land directly north north west of property under review. The diagram indicates that Newhaven township commonage bordered directly east of the registered church boundary. The church would only have registered or bought a piece of land if an existing community was in place in order to offer service (See Annexure 6 for S.G. Diagram 2525/1934). Diagrams were not found for the township Newhaven and the reason for its establishment is not clear. If this information is required further archival research will be necessary.

At the time of implementation of the Group Area's Act in Knysna, (1970-1984) all people classified Coloured were removed from "Jood se Kamp" to the newly established Coloured Township named Hornley. Jood se Kamp was not proclaimed a Black residential area but became an informal settlement to families belonging to that assigned Group.

It was stated during oral interviews that many residents of Joods se Kamp were in fact classified Black when racial legislation became effective and these families have lived (and are still living) in this area for an unknown number of generations⁷. The fact that no Black Group Area was proclaimed meant that no formal services were provided by Government during apartheid rule. It was only during the late 1980's that 'a few water taps' were provided to inhabitants. Most dwellings are constructed of wood (presenting a high fire risk).

Summary:

Clearly the surrounding area was familiar to a variety of people living during the 18th, 19th and 20th centuries (and more than likely before the 18th century). While no archival evidence points directly to human activity in this "little valley" (i.e. the



² CTA MOOC 8/22/44 dated 1798.

³ Cape Town Deeds Office George Quitrents 1/37

Surveyor General Diagram 293/1845

CTA CO 4018 pg 527

CTA GH/1/339/127

⁷ Oral information obtained from elderly residents.

site) intended for development, any new footprint should be approached sensitively. No further heritage investigations are however considered necessary in this instance.

7. HERITAGE RESOURCES & ISSUES

7.1 Sense of place/ Built environment

The site does not contain any buildings older than 60 years nor any formal graveyard or informal burial grounds. Past settlement patterns are not clearly defined on the site. Yet, a surrounding secure sense of place has evolved over the years and has left a very soft imprint on the entire landscape. Aspects enclosing the spine of this valley depict a community (perceived to be) well resolved within itself, particularly in relation to architecture, landscaping and land use. It is important that any future development should not interfere with the current rural feel consciously developed by direct neighbours.

Each erf is lawned and cropped by free ranging animals, giving a sense of being in an Eastern Cape rural environment. Free ranging animals are not in excess nor do they present any signs of neglect. Not all erven are individually fenced, rather a sense of presence indicates neighbourhood boundaries.

7.2 Landscape Issues

The site is part of urban development strung out along the Concordia Road as illustrated on the recent aerial photograph insert below (highlighted in yellow). The red dot indicates the approximate location of the study area. The Concordia area is somewhat isolated from the main town of Knysna in a spatial sense and is set within a natural landscape covered by indigenous Afromontane forest.



Aerial photograph dated c. 2004 (Source: GoogleEarth)

On a larger scale, the site itself is clearly set within an urban environment, notwithstanding the fact that it also includes fairly large portions of

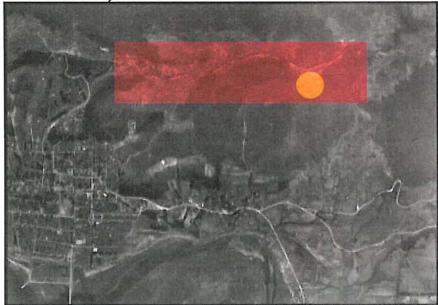


undeveloped land, some of which consist of relatively steep slopes. However, much of the site consists of area that is either level or located along a moderate slope, thus being more appropriate for infill development and urban intensification.



Study area shown within red outline (approximate only)

From a historical perspective, development along the Concordia Road has certainly intensified significantly during the last few decades. From the 1936 aerial photograph (insert below) it is evident that the landscape directly along the Concordia Road has changed from one with an overall natural/ rural character to that of a urban/ rural/ natural landscape. The Concordia area is highlighted in red while the approximate location of the site is shown as a yellow dot.



Extract from 1936 aerial photograph. Concordia Area highlighted in red, yellow dot denotes approximate location of the site. (Source: CDSM)



7.3 Conclusion

We are of the view that there is a need to incorporate intangible aspects of the inherit local sense of place (as explained in paragraph 7.1 of this report) into future development proposals for the area and that such proposal should be designed so as to support the authenticity of a core environment that has developed through political changes and has survived through centuries of colonial development - to present.

Save for the above – having visited the site and after studying relevant documentation pertaining to the site and the nature and type of development proposed it is not considered necessary to undertake further heritage investigations for the proposal, nor is it considered that a heritage impact assessment would be required.

8. PUBLIC PARTICIPATION

A Public Participation Process has been invoked through the National Environmental Management Act, 1998 (Act 107 of 1998). This process is currently being managed by Bluepebble Independent Environmental Agency.

9. RECOMMENDATIONS

Having regard to the above assessment, it is recommended:

- 9.1 That this Heritage Statement fulfils the requirements of a NID submission In terms of Section 38 of the National Heritage Resources Act, 1999 (Act 25 of 1999);
- 9.2 That no further heritage studies and/or heritage impact assessment would be required.

PERCEPTION Environmental Planning 2nd March 2009

SE DE KOCK B-Tech(TRP) MIPI TRP(IRL) EIA Mgmt (IRL) AHAP



Heritage Western Cape

Notification of Intent to Develop

Section 38 of the National Heritage Resources Act (Act No. 25, 1999)

Section 38 of the National Heritage Resources Act requires that any person who intends to undertake certain categories of development in the Western Cape (see Part 1) must notify Heritage Western Cape <u>at the very earliest stage of initiating such a development</u> and must furnish details of the location, nature and extent of the proposed development.

This form is designed to assist the developer to provide the necessary information to enable Heritage Western Cape to decide whether a Heritage Impact Assessment will be required.

Note: This form is to be completed when the proposed development <u>does not</u> fulfil the criteria for EIA as set out in the EIA regulations. It <u>may</u> be completed as part of the EIA process to assist in establishing the requirements of Heritage Western Cape with respect to the EIA.

- 1. It is recommended that the form be completed by a professional familiar with heritage conservation issues.
- 2. The completion of Section 7 by heritage specialists is not mandatory, but is recommended in order to expedite decision-making at notification stage.
- 3. Section 7.1 must be completed by a professional archaeologist or palaeontologist.
- 4. Section 7.2 must be completed by a professional heritage practitioner with skills and experience appropriate to the nature of the property and the development proposals.
- Should Section 7 be completed, each page of the form must be signed by the archaeologist/ palaeontologist and heritage practitioner
- 6. Additional information may be provided on separate sheets.
- 7. This form is available in electronic format so that it can be completed on computer.

FOR OFFICIAL USE

PART 1: BASE INFORMATION

1.1 PROPERTY	
Name of properties	Masifundi Township, Knysna
Street address or location	Access directly off Concordia Road north of Knysna
Erf or farm number/s	Various as per list on page 3 below
Town or District	Knysna
Responsible Local Authority	Knysna Municipality
Magisterial District	Knysna
Current use	As per list on page 3 below
Current zoning	As per list on page 3 below
Predominant land use of surrounding properties	Residential, Community use, Commercial, Public Open Space
Extent of the property	As per list on page 3 below

1.2	CATEGORY OF DEVELOPMENT (S. 38 (1))	X	Brief description of the nature and extent of the proposed development or activity (See also Part 3.1)
1.	Construction of a road, wall, powerline, pipeline, canal or other similar form of linear development or barrier over 300m in length		The proposed development will entail the redevelopment of the properties listed on page
2.	Construction of a bridge or similar structure exceeding 50 m in length		3 hereto as described in further detail with the Heritage Statement.
3.	Any development or activity that will change the character of a site-	9	* Properties to be developed will for the purpose of this NID submission be collectively
	a) exceeding 5 000 m ² in extent	X	referred to as "the site".
	 b) involving three or more existing erven or subdivisions thereof 	X	
	 c) involving three or more erven or divisions thereof which have been consolidated within the past five years 	X	
4.	Rezoning of a site exceeding 10 000 m ²	X	
5.	Other (Upgrading of Engineering Services)		

Exploratory (e.g. viability study)		Notes:
Conceptual	X	Currently three development concepts are
Outline proposals		being considered, namely a Services Model Residential Model and Community Model (refer
Draft / Sketch plans		to Heritage Statement for further detail).
Other (state)		

Erf Nr	Extent (m ²)	Current Land Use	Current Zoning	Current Ownership
12004	250	Residential	Single Residential	Private
12003	250	Residential	Single Residential	Private
12002	250	Residential	Single Residential	Private
12001	250	Residential	Single Residential	Private
12000	263	Residential	Single Residential	Private
11999	266	Residential	Single Residential	Private
11998	258	Residential	Single Residential	Private
11997	296	Residential	Single Residential	Private
11996	279	Residential	Single Residential	Private
11994	251	Residential	Single Residential	Private
11993	250	Residential	Single Residential	Private
14508	495	Residential	Single Residential	Private
14509	249	Residential	Single Residential	Private
14510	251	Residential	Single Residential	Private
14511	495	Vacant	Single Residential	Private
14512	250	Residential	Single Residential	Private
14513	250	Residential	Single Residential	Private
14514	250	Residential	Single Residential	Private
3522/Rem	1929	Brick making	Public Open Space	Local Government
5043/Rem	3116	Vacant	Public Authority Zone	Provincial Government
10645	20,661	Open Space	Business Zone	Local Government
10644	4,807	Open Space	Public Open Space	Local Government
10640	10,321	Community Use	Business Zone/ Public	Local Government
TOTAL	- 46,037m ²		Authority Zone	

PART 2: HERITAGE ISSUES

2.1	CONTEXT	
X	(check box of all relevant categories)	Brief description/explanation
Х	Urban environmental context	The site is situate within an urban area sprawling along
X	Rural environmental context	the Concordia Road, well north of the Knysna town centre (thus set within a rural area). The site is
	Natural environmental context	therefore located within a landscape with both an urban and rural environmental context.
For	mal protection (NHRA)	
	Is the property part of a protected area (S. 28)?	
	Is the property part of a heritage area (S. 31)?	
Oth	er	
	Is the properties near to or visible from any protected heritage sites?	
	Is the property part of a conservation area or special area in terms of the Zoning Scheme?	
	Does the site form part of a historical settlement or townscape?	
	Does the site form part of a rural cultural landscape?	
	Does the site form part of a natural landscape of cultural significance?	
	Is the site within or adjacent to a scenic route?	
	Is the property within or adjacent to any other area which has special environmental or heritage protection?	
	Does the general context or any adjoining properties have cultural significance ¹ ?	

2.2	PROPERTY FEATURES AND CHARAC	CTERISTICS
Х	(check box if YES)	Brief description
x	Has the site been previously cultivated or developed?	Yes, the entire site is either already developed or contains portions of land that, although currently vacant, have been cultivated and/ or developed before.
	Are there any significant landscape features on the properties?	
	Are there any sites or features of geological significance on the properties?	
	Does the property have any rocky outcrops on it?	
	Does the property have any fresh water sources (springs, streams, rivers) on or alongside it?	
	Does the property have any sea frontage?	
	Does the property form part of a coastal dune system?	
	Are there any marine shell heaps or scatters on the property?	

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2.3	HERITAGE RESOURCES ² ON THE PROPERTIES	
х	(check box if present on the property)	Name / List / Brief description
For	mal protections (NHRA)	
	National heritage site (S. 27)	
	Provincial heritage site (S. 27)	
	Provisional protection (s.29)	
	Place listed in heritage register (S. 30)	
Ger	neral protections (NHRA)	
	structures older than 60 years (S. 34)	
	archaeological ³ site or material (S. 35)	
	palaeontological ⁴ site or material (S. 35)	
	graves or burial grounds (S. 36)	
	public monuments or memorials ⁵ (S. 37)	
Oth	er	
	Any heritage resource identified in a heritage survey (state author and date of survey and survey grading/s)	
	Any other heritage resources (describe)	

2.4	PROPERTY HISTORY AND ASSOCI	ATIONS
Х	(check box if YES)	Brief description/explanation
х	Provide a brief history of the properties (e.g. when granted, previous owners and uses).	Refer to Historical Background in Heritage Statement
Х	Are the properties associated with any important persons or groups?	Granted by means of Quitrent to George Rex during 1816 (then part of the farm Melkhoutkraal). Also refer to Heritage Statement
	Are the properties associated with any important events, activities or public memory?	
	Do the properties have any direct association with the history of slavery?	
	Are the properties associated with or used for living heritage ⁶ ?	
	Are there any oral traditions attached to the properties?	

2.6	SUMMARY OF CULTURAL SIGNIFICANCE OF THE PROPERTIES (OR ANY PART OF T PROPERTIES) (S. 3(3))		
Х	(check box of all relevant categories)	ategories) Brief description/explanation	
	Important in the community or pattern of South Africa's (or Western Cape's) history.		
	Associated with the life or work of a person , group or organisation of importance in history.		
	Associated with the history of slavery .		
	Strong or special association with a particular community or cultural group for social, cultural		

E 1919 - P 1 - P P P P P P P P P P P P P P P P	
Exhibits particular aesthetic characteristics	
valued by a community or cultural group	
Demonstrates a high degree of creative or	
technical achievement at a particular period	
Has potential to yield information that will	
contribute to an understanding of natural or	
cultural heritage	
Typical: Demonstrates the principal	
characteristics of a particular class of natural or	
cultural places	
Rare: Possesses uncommon, rare or en-	
dangered aspects of natural or cultural heritage	

While no tangible heritage resources could be identified, whether through the basic archival research and/or site visits, it is noted that residential areas within the proximity of the Masifundi Node depict a community well resolved within itself, relating to architecture, landscaping and land use. The area therefore retains an interesting sense of place (intangible elements), which appears almost comparable to a typical Eastern Cape rural village.

PART 3: POTENTIAL IMPACT OF DEVELOPMENT

Brief description of proposed	Refer to Heritage Statement for description.
development.	
Monetary value.	Uncertain
Anticipated starting date.	Uncertain
Anticipated duration of work.	Uncertain
Does it involve change in land use?	Yes
Extent of land coverage of the proposed development.	Uncertain
Does it require the provision of additional services? (e.g. roads, sewerage, water, electricity)	Yes
Does it involve excavation or earth moving?	Yes
Does it involve landscaping?	Yes
Does it involve construction work?	Yes
What is the total floor area?	Uncertain
How many storeys including parking?	Uncertain
What is the maximum height above natural ground level?	Uncertain
3.2 POTENTIAL IMPACT	
What impact will the proposed development have on the heritage values of the context of the properties? (e.g. visibility, change in character)	The impact would change depending upon which of the three proposed development concepts would be implemented. Also refer to Heritage Statement.
Are any heritage resources listed in Part 2 affected by the proposed development? If so, how?	No

According to the Masifundi Operational Plan the proposal has a number of objectives, including job creation, wealth creation, skills, business, and infrastructure development, social upliftment and local

creation, wealth creation, skills-, business- and infrastructure development, social upliftment and local economic development. The proposal, which ever of the three development models are chosen, will potentially be of tremendous benefit to the community residing within the environs. Also refer to Heritage Statement.

PART 4: POLICY, PLANNING AND LEGAL CONTEXT

Х	(check box if YES)	Details/explanation	
X	Does the proposed development conform with regional and local planning policies? (e.g. SDF, Sectoral Plans)	Yes - refer to Heritage Statement.	
x	Does the development require any departures or consent use in terms of the Zoning Scheme?	Unsure	
	Has an application been submitted to the planning authority?		
	Has their comment or approval been obtained? (attach copy)	Municipality's support of the proposal expressed through the "Masifundi Operational Plan", attached to the Heritage Statement.	
X	Is planning permission required for any subdivision or consolidation?	Yes	
	Has an application been submitted to the planning authority?		
	Has their comment or approval been obtained? (attach copy)		
x	Are there title deed restrictions linked to the property?	Unsure _	
	Does the property have any special conservation status?		
	Are there any other restrictions on the property?		
x	Is the proposed development subject to the EIA regulations of the National Environmental Management Act (Act 107 of 1998)?	Yes - EIA process in terms of the National Environmental Management Act (Act 107 of 1998) (NEMA) is in progress. Also refer to Heritage Statement in this regard.	
	Has an application (or environmental checklist) been submitted to DECAS? What are the requirements of DECAS?		
X	At what stage in the IEM process is the application (scoping phase, EIA etc.)	This process is being managed by the relevant consultant (Bluepebble Independent Environmental Agency) and is therefore in progress.	
	Has any assessment of the heritage impact of the proposed development been under- taken in terms of the EIA or planning process?		
	Are any such studies currently being undertaken?		
X	Is approval from any other authority required?	Yes – Approval required from DEA&DP, etc (as part of EIA process).	
	Has permission for similar development on this site been refused by any authority in the past?		
	Have interested and affected bodies have been consulted? Please list them and attach any responses.		

PART 5: APPLICANT DETAILS

NID Submission undertaken on contract to Bluepebble Independent Environmental Agency (on behalf of Knysna Municipality). Power of Attorney attached as Annexure 2 to the Heritage Statement.

PART 6: ATTACHMENTS

Х	Plan, aerial photo and/or orthophoto clearly showing location and context of property.		
Х	Site plan or aerial photograph clearly indicating the position of all heritage resources and features.		
Х	Photographs of the site, showing its characteristics and heritage resources.		
X Relevant sketch proposals, development plans, architectural and engineering landscaping plans.			
	Responses from other authorities.		
	Responses from any interested and affected parties.		
	Any archaeological reports or other reports that may have been carried out on the property or properties within the immediate area.		
Х	Any other pertinent information to assist with decision-making.		

PART 7. RECOMMENDATIONS BY HERITAGE SPECIALISTS

It is recommended that this section be completed in order to expedite the approval process.

7.1 RECOMMENDATIONS OF ARCHAEOLOGIST/PALAEONTOLOGIST			
Further investigation required	Yes/No Describe issues and concerns		
Palaeontology	No		
Pre-colonial archaeology	No		
Historical archaeology	No		
Industrial archaeology	No		
No further archaeological or palaeontological investigation	No		
Other recommendations (use additional pages if necessary)	Please refer to Heritage Statement.		
I have reviewed the property and the proposed development and this completed form and make the recommendations above.			
Name of Archaeologist/Palaeontologist			
Qualifications, field of expertise			
Signature		Date	

7.2 RECOMMENDATIONS OF GENERALIST HERITAGE PRACTITIONER			
Further investigation required	Yes/No	Describe issues and concerns	
Existing Conservation and Planning Documentation	No		
Planning	No		
Urban Design	Yes	Proposal should be designed so as to support the authenticity of a core environment that has developed through political changes and has survived through centuries of colonial development - to present	
Built Environment	No		
Architecture	No		
Cultural Landscape	No		
Visual Impact	No		
History			
Archival	No		
Title Deeds Survey	No		
Published Information	No		
Oral History	No		
Social History	No		
Other specialist studies (specify)	No		
Public Consultation			
Specialist Groups	No		
Neighbours	No		
Open House	No		
Public Meeting	No		
Public Advertisement	No		
Other	No		
No further specialist conservation studies required	No		
Heritage Impact Assessment required, to be co-ordinated by a generalist heritage practitioner	No	As no heritage resources would be affected by the proposal we do not consider that any further heritage studies would be required in this instance.	
Other recommendations (use additional pages if necessary)			
I have reviewed the property and the proposed development and this completed form and make the recommendations above.			
Name of Heritage Practitioner		STEFAN DE KOCK	
Qualifications, field of expertise	AHAF	>, TRP, EIA MGMT (IRL)	
Signature	¢	Date	

POWER OF ATTORNEY

I, Jonathan Kingwill of BluePebble Independent Environmental Agency, the undersigned being the Client, in my capacity as person holding power of attorney for Knysna Municipality, as Developer of the PROPOSED MASIFUNDI NODE, DISTRICT KNYSNA, hereby nominate Stéfan de Kock of PERCEPTION Environmental Planning, with power of substitution, to be my agent in name, place and stead, (as set out in their quotation dated 25th January 2009) to sign on my behalf and submit to the appropriate authorities the following application, which mandate shall, without limiting the generality of the a foregoing, include:

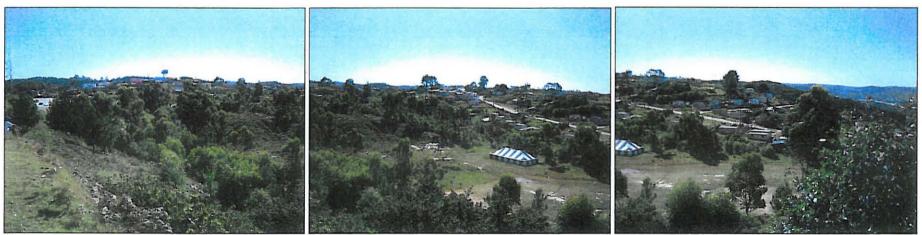
Notification of Intention to Develop (NID) for a proposed residential a.) development on the said property as required in terms of Section 38 of the National Heritage Resources Act, 1999 (Act 25 of 1999).

I hereby accept the Terms of Agreement as set out in paragraphs 5, 6 and 7 of the abovementioned quotation dated 25th January 2009.

27 February 2009 monille Signed at on distered Property Owner Client/ Developer 555 Visgoot Witness



Facing north (sequenced) with view along the Concordia Road. Row of dwellings to the right included in the site. Roof of Library visible to the far right

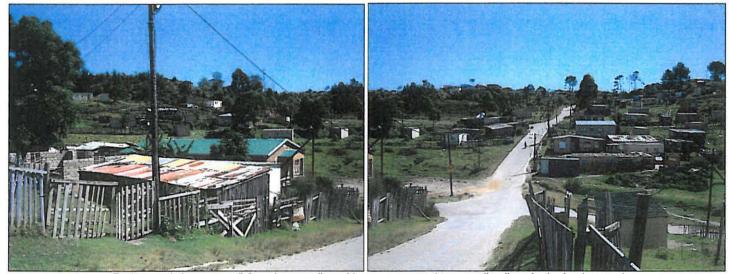


Facing east (sequenced) from higher-lying area adjoining Library, Community centre onto Erven 10644 and 10645

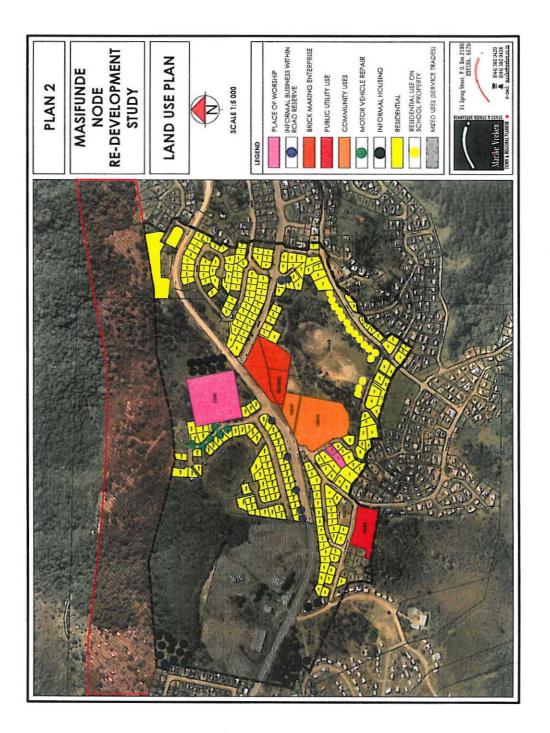


Facing southeast from site towards N2

Facing northwest (sequenced) showing rear of the Community Centre and Library



Facing north (sequenced) from lower valley with open area and two small valleys in the background







Masifunde Node

Operational Plan

Prepared For: Knysna Municipality Prepared By: Urban-Econ (George) Tel: 044 873 4514 & Seriti Sa Batho Tel: 082 452 3209

OPERATIONAL PLAN

CHAPTER THREE: IMPLEMENTATION PLAN



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ACRONYMS

ACRONYMS

BEE BBBEE	-	Black Economic Empowerment Broad-Based Black Economic Empowerment
BOT	-	Build-Operate-Transfer
DEVCO	-	Development Company
EC	-	Eastern Cape
GRAP	-	Generally Recognised Accounting Practice
HDI	-	Historically Disadvantaged Individuals
IDC	-	Industrial Development Corporation
IDP	-	Integrated Development Plan
INCA	-	Infrastructure Finance Corporation Limited
KZN	-	Kwa-Zulu natal
LED	-	Local Economic Development
MDA	-	Municipal Development Agency
MFMA	-	Municipal Finance Management Act
MSA	-	Municipal Systems Act
PPPFA	-	The Preferential Procurement Policy Framework Act
SMMEs,	-	Small Micro Medium Enterprises
USAID	-	United States Aid
WC.	-	Western Cape



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OPERATIONAL PLAN

CHAPTER ONE: INTRODUCTION

CHAPTER 1: INTRODUCTION

1.1 BACKGROUND

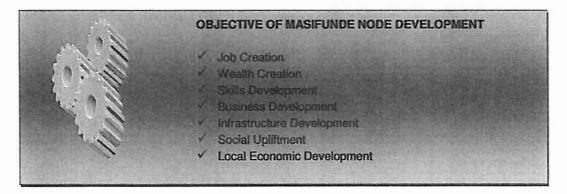
Knysna Local Municipality in conjunction with the National Treasury has facilitated the formulation of a comprehensive and exciting plan for the development of the Masifunde Node in the northern part of Knysna. Urban-Econ and Seriti Sa Batho were appointed to compile an institutional framework for the development of the Node which will consist of various development drivers as researched and formulated in the Development Research Document and the Development Concept Document.

The purpose of this document is to provide an institutional framework for the Masifunde Node development concept which will enable the various development drivers to function in a legal entity which will adhere to the various legislative policies.

1.2 OBJECTIVES

Guidelines were formulated and an action plan created for the implementation phase of the Masifunde Node development. This document deals with the Operational Plan for the institutionalization of the development so that the social and economic ideals of the project could be realized.

The broad objective of the Masifunde Node development is as follows:



This Operational Plan will address the following aspects:

- The operational mandate and activities that the Masifunde Node redevelopment will pursue
- The design of a suitable organizational structure to manage the Masifunde Node
- Necessary institution arrangements
- An action plan







OPERATIONAL PLAN

CHAPTER ONE: INTRODUCTION

1.3 DEVELOPMENT CONCEPT

The development concept which has been developed for the Masifunde Node was outlined in the Masifunde Node Development Concept Document. To highlight the main aspects of the concept it is necessary to describe the three different development models. The Council has indicated that they would support all three options but that the preferred model would be the services model. The models will be briefly described to provide an understanding of the development activities.

MODEL 1: SERVICES MODEL

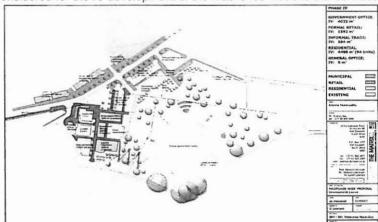
The first model which could be considered for the re-development of the Masifunde Node is the Services

Model. This model will consist of four phases. The motivation for this model as established in the market research report (Urban-Econ & Seriti, 2007) is as follows:

- The area will provide for the development of municipal offices in the Masifunde area
- The Masifunde Node will be used mainly for office space
- 3. Retail activities will be linked to the demand created by the office land usage
- 4. The existing Masifunde Library will be expanded to improve the services which it is currently offering
- 5. The Love Life Centre will operate in conjunction with the office land use and will also be utilised as a training centre in conjunction with the library

The above motivation therefore illustrates that the services model will function to provide facilities and services to the local community. The various other existing land use activities such as the library and the love life centre will function in conjunction with the proposed land uses for this model which is primarily office space.









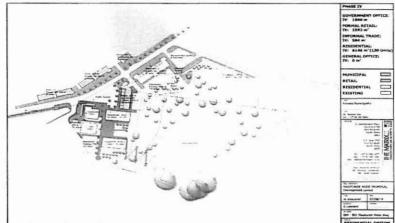
CHAPTER ONE: INTRODUCTION

Model 2: Residential Model

The Residential Model which has been conceptualised for the Masifunde Node has resulted as a direct

result of the market research findings which concluded that there is a very large demand for middle and lower middle income housing in Knysna. The demand for residential housing therefore has motivated the conceptualisation of this development option for the Masifunde Node.

The focus is not on subsidy housing as there are various

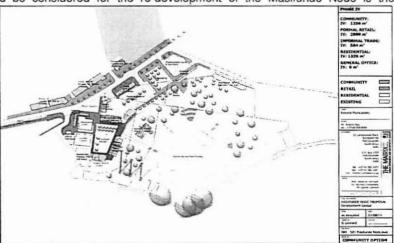


low cost housing projects which are currently being driven by the Knysna Local Municipality's Housing Department. The residential model will incorporate other land uses similar to the service option but the main focus will be on residential land-use activities.

MODEL 3: COMMUNITY MODEL

The final model which could be considered for the re-development of the Masifunde Node is the

Community Model. This development option has been formalised from a previous proposal which was done to council. This development option would offer various functions for the local community. It provide would the community with a social service point (clinic, library, and community hall), a small formal trading facility and a recreational node in the



form of sports facilities and a park.

The combination of these functions along a public transport route would improve the service level for a large number of residents in the Northern Areas. Combined nodal development reduces people's transport cost and saves time. It enhances economic activity and makes public transport more viable.





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MASIFUNDE NODE REDEVELOPMENT

OPERATIONAL PLAN

CHAPTER ONE: INTRODUCTION

1.4 STUDY REPORTS COMPLETED

This report forms part of a series of documents completed in 2007. These include:

- Research Document
- Status Quo Report
- Development Concept Document

1.5 REPORT OUTLINE

The remainder of the document is will consist of the following chapters:

- Chapter 2: Legal Entity
- Chapter 3: Implementation Plan
- Chapter 4: Action Plan







OPERATIONAL PLAN

CHAPTER TWO: LEGAL ENTITY

CHAPTER 2: LEGAL ENTITY

2.1 BACKGROUND

The Masifunde Node development will involve a number of different activities. The operational plan proposes the type of legal entity which will best serve to provide an institutional framework in which the development activities can be effectively carried out.

The methodology for determining the legal entity is as follows:

STEP 1: DETERMINE LEGISLATIVE GUIDELINES STEP 2: IDENTIFY POSSIBLE LEGAL ENTITIES STEP 3: DETERMINE DEVELOPMENT CONSIDERATIONS STEP 4: RECOMMENDATIONS

In order to determine what legal entity should be used for the proposed Masifunde Node development, a legal framework will be utilised to determine the current guidelines which exist for the establishment of an entity.

2.2 LEGISLATIVE GUIDELINES

The Municipal Finance Management Act (MFMA) was adopted by Parliament on 26 November 2003. The MFMA applies to all municipalities and municipal entities. It also applies to national and provincial governments, departments and public entities, to the extent that they have financial dealings with municipalities.

The purpose of the act is to secure sound and sustainable management of the financial affairs of municipalities and other institutions in the local sphere of government, to establish treasury norms and standards for the local sphere of government and to provide for matters connecting therewith.

The MFMA aims to modernise budget and financial management practices by placing local government finances on a sustainable footing. It also aims to put in place a sound financial government framework by clarifying and separating the roles and responsibilities of the mayor, executive and non executive councillors and the officials. It consequently serves to maximise the capacity of municipalities and deliver services to all its residents, customers, users and investors.

The MFMA addresses a number of financial and fiscal reforms. The most significant reforms being the new budget process and its link to the IDP, new accounting standards and formats, the establishment of audit committees and other internal controls, improvement to the procurement and supply chain management, performance measurement reporting staff competency levels and new mechanisms to resolve financial problems and misconduct.





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OPERATIONAL PLAN

CHAPTER TWO: LEGAL ENTITY

The MFMA therefore empowers various stakeholders within the municipality around a framework of good governance.

2.2.1 MUNICIPAL ENTITIES

A municipal entity is a mechanism used by a municipality to deliver services to its community. Each municipal entity must comply with the legislative framework which ensures accountability, transparency and consultative processes, similar to the requirements that apply to a municipality in its own right.

Municipal entities are accountable to the municipality that established the entity. The entity performs according to a service delivery agreement and performance objectives set by the municipality. As decisions regarding their debts, liabilities and strategies are made on behalf of the municipality they may be disestablished if they fail to perform satisfactorily or if they experience serious or persistent financial problems.

2.2.1.1 LEGASLATIVE FRAMEWORK

A new legislative framework relating to municipal entities came into effect through the amendment to the Municipal Systems Act (MSA) and the passing of the MFMA. The MSA defines 3 types of entities that may be established by Municipalities with effect from August 2004. They include the following:

1. Private companies

- 2. Service utilities
- 3. Multi- jurisdictional service utilities

Prior to the MSA and MFMA requirements taking affect, municipalities used various arrangements to deliver services and manage functions. These include Trusts, Section 21 Companies and private companies. It is a requirement for municipalities to review these structures in view of the legislative framework and either convert them to an allowed entity or deregister them if they are no longer required. A review would cover such things as the appropriateness of governance structures to provide effective municipal oversight, accountability and transparency.

No councillor can serve on a tender committee (Section 117). In addition councillors may not serve on a board of directors (Municipal Systems Acts (Section 93F).

2.2.1.2 REPORTING REQUIREMENTS

In terms of section 178 and 74 of the MFMA, municipalities are required to report to the National Treasury information on all municipal entities.

Municipalities are enquired to advise the Auditor-General, National Treasury and relevant provincial treasury on the details of all bank accounts held by the municipal entity. Municipalities are required to report on entities in terms of the MFMA at the end of each quarter.





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CHAPTER TWO: LEGAL ENTITY

2.2.1.3 ENTITIES IN SOUTH AFRICA

There were a total of 91 municipal entities reported in 2006 with the highest concentration in the Gauteng Province. It has been advised that 29 are undergoing review and many are in the process of being disestablished.

The effect of the amendment to the MSA and the enactment of the MFSA has resulted in an extensive review of existing entities by most municipalities and it is estimated that in the following reporting period the total number will fall to around 62 municipal entities.

Figure 2.1 shows the 91 municipal entities, per province.

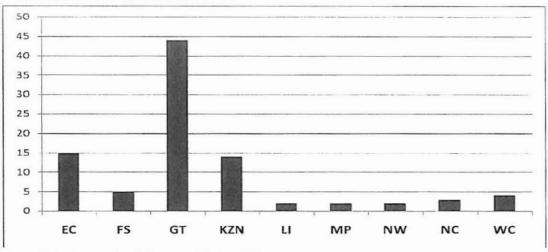


FIGURE 2.1: MUNICIPAL ENTITIES PER PROVINCE

(Source: National Treasury Local Government Data Base, 2007)

Figure 2.1 illustrates that the highest concentration of municipal entities is found in Gauteng with a total of 44 entities. This is followed by the EC and KZN with a total of 14 entities each. There are only 4 municipal entities within the WC.

2.2.1.4 FUNCTIONS PERFORMED

Municipal entities have been utilised to perform a variety of functions. Figure 2.2 illustrates the functions performed by the municipal entity.



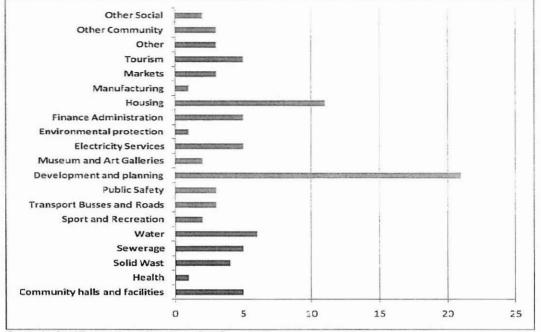




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(Source: National Treasury Local Government Data Base, 2007)

Figure 2.2 indicates that the majority of entities (21) are involved in development and planning functions. This includes economic and business development but excludes tourism. This is followed by housing services with 11 entities and water services with 6 entities.

2.3 TYPE OF MUNICIPAL ENTITIES

Of the 91 municipal entities, section 21 companies were most commonly used before the MSA amendment with 41 entities in existence as of mid 2006. Second most common are private companies with 31 entities. The total number of trusts is 6 and service utilities 5.

In addition, The Municipal Systems Amendment Act Section 86 B (2) states inter alia that:

- No municipality may establish, participate in the establishment of or hold an interest in a corporate body (including a trust) except where that body is a private company or a service utility.
- The community or private sector could however form a trust which works closely with the municipality or municipal entity.

Community or Empowerment Trusts are examples of these. The implications of this act are that it is necessary to rethink the organisational/institutional form that the management structure for the Masifunde Node Development would take as it is no longer possible for a Section 21 company or a Trust to be formed by the municipality. The issues for the Masifunde Node development which need to be taken into consideration when forming the legal entity include the following:









OPERATIONAL PLAN

CHAPTER TWO: LEGAL ENTITY

- The Knysna Municipality currently owns the land on which the buildings will be constructed as part of the Masifunde Node Development.
- The Knysna Municipality, although it fully supports the development, does not have the capacity (both human resources and financial) to operate the facility
- The community need to buy into the process if the development is to be a success
- ✓ Linkages need to be generated between the facilities and local businesses
- The development needs to be operated as a formal business enterprise that is operated according to recognised business practices to ensure that the Masifunde Node development is financially viable and not another white elephant.

Due to the above requirements three different potential Legal Entities have been investigated for the management and operation of the Masifunde Node Development. These include the following:

- 1. Ring Fenced Funding of Entities
- 2. Development Facilitation Mandate
- 3. Municipal Development Entities

Each of these is discussed separately below, and the pros and cons for each legal entity have been outlined.

2.3.1 RING FENCED FUNDING

Ring fencing by a Municipality or a government entity with a specific function allows the Municipality to create a separate internal department (for the identified function/activity). The implications of this are that income generated by that activity can then be ploughed back into the identified area, without having to be paid into the Municipal budget, thus allowing other department facilities to utilise the income generated.

Ring fencing can therefore be defined as "a process undertaken to determine the total asset base of a particular functional unit and the operational costs associated with the unit as if it were to operate independently" (INCA Capacity Building Fund, 2004).

The implications of this are that municipalities can determine actual operational costs of identified projects or functions, which allow them to make informed decisions for these projects based on identified priorities. Normally within municipal budgeting non-sustainable projects/entities are cross subsidised by more sustainable subsidies. As a result of ring fencing however, this cross subsidisation is eliminated and a project or function can be directly funded and accountable for profits and losses. Operational expenses are funded by the municipality and any profit generated can directly benefit the project or priority actions identified within a specific area.

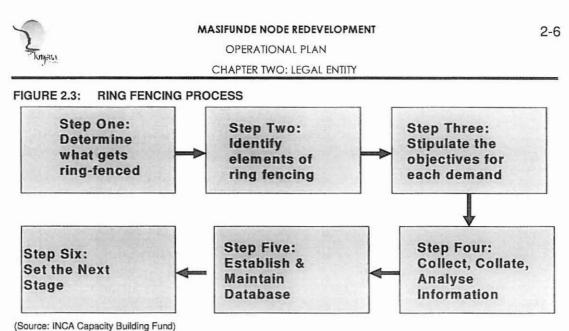
2.3.2 RING FENCING PROCESS

Ring Fencing an entity involves a number of steps. These steps are illustrated in Figure 2.3





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Step One: The project needs to be identified. In the case of this study, the project would be the Masifunde Node development. The functions, assets, expenses and income streams of the Masifunde Node Development would then need to be determined and quantified. The assets of the facility would include the land and the structures that are being constructed.

Step Two: Next the focus areas for ring fencing need to be identified, namely those activities which are considered necessary for the independent and successful operation of a service, function or entity. The focus area in this case is the Residential Units, Office and Retail Space.

Step Three: The objectives for each element need to be identified. This would include the following:

- Management and operation of the facility. This needs to include financial statements, operational expenses, such as staff requirements and salaries and support services required for the optimal functioning
- Identification of businesses to be located in the facility and the determining of potential rentals that each business needs to pay for the location of their business.
- Maintenance of the facility and projected costs for maintenance
- Marketing of the facility
- The allocation of profits generated by the facility.
- Management reporting systems
- Linking of the facility to existing communities.

Step Four: The information required for the optimal operation of the entity needs to be collected, collated, analysed and validated. This information needs to be gathered for each of the focus areas identified in step three. Financial statements need to be generated according to Generally Recognised Accounting Practice (GRAP). Due to the fact that the Masifunde Node development is still in the planning phase, this process can only be fully completed once the development is fully operational and the first financial year is complete. This would include full human resources records and adherence to Department of Labour policies.





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Step Five: A database needs to be established, maintained and upgraded. All information collected both financial and to do with human resources needs to be updated regularly. This database will ensure accuracy of information and accountability for the project.

Step Six: Setting the next stage. Once all the information has been gathered, this information can be utilised to provide the bottom line for costs in the operation of the project, income streams and the value of the assets and allow the municipality to make informed decisions about the project.

Available mechanisms the municipality could utilise at this point include the following:

- A business unit within the municipality
- Corporatisation in terms of the companies Act
- Corporatisation with a management contract in the event that the appropriate skills are unavailable
- A management contract to carry out the operations
- A lease
- A joint venture
- Outsourcing
- Full privatisation (sale)

2.3.3 POINTS IN FAVOUR OF RING FENCING ENTITIES

There are various positive aspects for a municipality proposing to identify and ring fence municipal entities and these include the following:

- This type of entity enables municipalities to prioritise issues effectively and efficiently.
- Transparency of costs is generated and any hidden costs are identified.
- The bureaucratic process is streamlined according to the functionality of the entity.
- The municipality is able to accurately assess costs and therefore credit control and debt collection can be co-ordinated
- Facilitates access to the capital market
- Adequately meets the requirements of the Local Government: Municipal Systems Act, Municipal Finance Management Bill and other legislative and policy documents.

2.3.4 POINTS AGAINST THE RING FENCING PROCESS

Whilst there are many positive aspects for ring fencing entities, there are some negative aspects which have been listed below:

- The municipality, if it creates a new department for the project is responsible for staffing and funding (operational) aspects, a requirement which is often beyond the existing capacity of the municipality
- Although the process is not difficult, it can be time consuming to set up the resources necessary to manage and operate the facility.





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2.4 DEVELOPMENT FACILITATION MANDATE

A Development Facilitation Mandate is a delivery tool, which will be increasingly used by progressive municipalities to mobilise dormant or fixed assets under their control. With this type of entity the municipality, which owns the land (such is the case of the Masifunde Node Development) agrees to lease the land to an identified private sector company or organisation for an agreed on length of time. In this way municipalities do not carry any risk for the operation of the entity, however they are able to retain some control, in that as part of the lease agreement a Trust or Section 21 company can be set up to involve the local community. This could form part of the facilitator's social responsibility Terms of Reference in terms of the lease agreements.

Key features of Development Facilitation Mandates include the following:

- To attract property developments and investments
- It improves the municipalities tax base and revenue
- It releases municipal land in a structured way and within an approved development framework
- It improves turn-around times between municipality and Private Sector
- It serves to support Council's local development objectives and BEE objectives
- It creates a public infrastructure fund

Other key issues that are able to occur within the lifecycle of such a mandate, that in the setting up and operation of such an entity are typically undertaken with no initial cost to the municipality include the following:

- Extensive land and lease audits of the land within the mandate area
- An Urban Development Framework (Development Concept) is completed. In the case of the Masifunde Node Development this has already been undertaken, however it will present opportunities for the private sector to present meaningful inputs into this Development Concept.
- A revenue generation model is developed based on the development potential of the identified entity
- The mandate area is actively marketed and branded and "agents of change" are identified.
- Land sales are attracted (direct, tender, auction).
- A public sector fund is established by ring fencing some of the proceeds of the land sale/ and or lease agreements.
- Urban Management of the mandate area starts as soon as a critical mass is created.

2.4.1 DEVELOPMENT FACILITATION MANDATE PROCESS

There are a number of transactional arrangements that need to occur between the Private Sector (facilitator) and the Public Sector (land owner). These include the following:

- ✓ Municipality invites tenders from the Private Sector
- The municipality grants a private sector facilitator a Facilitation Mandate and it registers it as a Special Mayoral Project.
- The mandate is implemented at no initial cost to the municipality for a mutually agreed upon period of time.





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- ✓ The facilitator carries all risk and expenses and negotiates a sliding revenue split which is reviewed on certain milestones
- The facilitator discloses its intent to initiate trigger DEVCO projects.
- A joint committee is established which has the responsibility to advance the mandate and unlock potential blockages.

2.4.2 POINTS IN FAVOUR OF THE DEVELOPMENT FACILITATION MANDATE PROCESS

There are various positive aspects for a municipality implementing a development facilitation mandate to maximise the use of municipal entities and these include the following:

- No cost to the municipality
- Private sector involvement
- Increased revenue stream (broadening the rates and taxes base and proceeds through land sales or revenue through rentals)
- Job creation (precinct management and business operation)
- Fromotion of the BEE agenda (Charters for the lease agreements to local businesses)
- Attracting investment, urban renewal developments and financing of public infrastructure
- Addressing crime and grime
- The involvement of local communities through the development of a Trust as part of the facilitators' social responsibility agreement.
- Adequately meets the requirements of the Local Government: Municipal Systems Act, Municipal Finance Management Bill and other legislative and policy documents.

2.4.3 POINTS AGAINST THE DEVELOPMENT FACILITATION MANDATE PROCESS

Whilst there are many positive aspects for initiating a facilitation mandate, there are some negative aspects which have been listed below:

- A Municipality has less control over the entity compared to the other entities proposed, however they also have no risk.
- Private sector "buy in" of development concept is essential.

2.5 MUNICIPAL DEVELOPMENT ENTITY

The Municipal Development Entity can be set up as either a private sector company or as a service utility entity. It is not a Trust or Section 21 Company and operation and expenditure is the responsibility of the municipality. This type of entity is based on the principle of the Local or Regional Economic Development Agency, which has been established as part of the LED Strategy of local governments the world over. A number of organisations involved in development in South Africa are exploring this type of Special Purpose Vehicle, including the Industrial Development Corporation (IDC), the European Union, USAID and the Italian Cooperation, both on National, Provincial and Local levels. Points that need to be noted for these entities include the following:





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- These entities aim to devolve specific local economic development to "grass-roots" level in terms of implementation
- A strong emphasis is placed on the alignment with all government spheres' economic development
- The entity is generally high profile and therefore could and should receive significant support from inter alia the private sector.
- ✓ The key role of the entity is to mobilise and coordinate all development institutions within a strategic framework to ensure alignment of development activities.
- Service delivery is key
- ✓ Financial assistance is crucial during the establishment phases of the entity, and subsequent financial planning is essential to ensure that the entity becomes self-sustainable.

2.5.1 MUNICIPAL DEVELOPMENT ENTITY PROCESS

The Municipal Systems Amendment Act and Municipal Financial Management Acts specify in detail what processes need to be followed. In short, it entails:

- Assessment of the impact on the municipal budget, staff and structure should planned services be delivered internally
- Publish the intent of the municipality for review by local communities and national and provincial departments for a period of 90 days, followed by an open Council Meeting and resolution
- When the municipal Council decides to take the option of an external vehicle, a detailed feasibility study must be completed detailing the exact nature and impact of the vehicle as well as evaluating all options
- Pending the outcome of the Feasibility Study, the drafting of a Business Plan and Operational Plan

The following are issues that need to be investigated prior to setting up a Municipal Development entity:

- Venture Options: This component will focus on the identification of options in the market for forming partnerships for the development, management and operation of the entity. Various venture options will be reviewed:
- Corporatisation
- Service Contract
- Lease Contract
- Build-Operate-Transfer (BOT)
- Public-Private Partnerships
- Management Contract
- Concession
- **Full Privatisation**

Based on the results of this market evaluation, specific recommendations will be made on feasible options for establishing a practical and workable business venture.

- Financial Sources: The focus of this is to identify a list of the most accessible sources of development funds available for the entity. The rationale for this approach is:
 - o Governmental line function budgeting is limited, since substantial proportions are allocated for administrative functions and activities with a resultant detrimental impact on project implementation and development







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- Large sums of development aid do not get allocated to projects due to the fact that the requirements and administrative processes of these funds are not generally known and therefore not applied for assistance
- Formulation of a detailed Financial Plan for the proposed entity, which includes a special assessment of potential funding by investors (a wide spectrum of institutions, government bodies, parastatals and investment entities), as well as donors and the likelihood of financial commitment to the activities of the agency. It is therefore proposed that the following be aimed for:
 - An assessment of the legal-financial environment in which the agency will operate (financial systems and procedures, regulations applicable)
 - The ability of the agency to successfully secure investment deals, given current legal and financial requirements
 - o Cost calculation (operational and establishment costs)
 - Income/revenue projections
 - o Cash flow analysis
 - o Specify funding and income sources
 - o Specific financial design issues relevant to the establishment of the agency
 - o Financial risk assessment

2.5.2 POINTS IN FAVOUR OF THE MUNICIPAL DEVELOPMENT ENTITY PROCESS

There are various positive aspects for a municipality to implement a development entity process to facilitate the development of municipal entities and these include the following:

- Involvement of local business is possible through the creation of a private sector business.
- The municipality retains some control over the operation of the entity.
- Adequately meets the requirements of the Local Government: Municipal Systems Act, Municipal Finance Management Act and other legislative and policy documents.

2.5.3 POINTS IN AGAINST THE MUNICIPAL DEVELOPMENT ENTITY PROCESS

Whilst there are many positive aspects for implementing a municipal development entity process, there are some negative aspects which have been listed below:

- Operation expenses remain the responsibility of the municipality.
- The municipality often does not have capacity (both financial and in terms of human resources) to operate the entity
- No Trust or Section 21 in terms of the law is able to be developed.

2.6 DEVELOPMENT CONSIDERATIONS

The development considerations which have to be taken into account in order to determine which entity is most suitable are in relation to the following aspects:

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- The municipality will be a share holder
- The ground belongs to the municipality
- ✓ A lease agreement has to be entered into
- Should each development driver be operated in a separate company?
- The procurement policy of Knysna Local Municipality will be applicable
- The development will be driven from a separate legal entity (Development Agency)

In order to gain a better understanding of the manner in which the Masifunde Node Development will be structured the following systems logic (Figure 2.4) will illustrate a possible structure of the relationship between the different legal entities.

FIGURE 2.4: POSSIBLE LEGAL ENTITY RELATIONSHIP

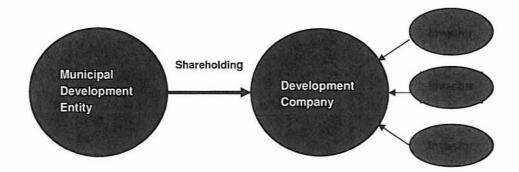


Figure 2.4 illustrates the possible relationship which could exist between the various legal entities in which the Masifunde Node development activities will exit. The above entities can be described as follows:

- Municipal Development Entity: A Legal Entity is to be established. The land on which the Masifunde Node development is to take place belongs to the Municipality. It is envisioned that the Legal Entity will gain ownership of this asset. The Legal Entity will become a shareholder in the development company and the shareholder contribution to the company will be in the form of the land asset.
- Development Company: The Masifunde development will be owned and managed by this company which in turn will be owned by the Municipal Development Agency and other investors. The percentage ownership by each of the investors (including the Municipal Development Agency) will be determined by how much each of the investors contributes to the company. This entity will generate income from the sale of residential units and from the renting out of office and retail space.





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Investors: External investors will invest in the development company and will take up a shareholding proportionate to their contribution.

2.7 RECOMMENDATION AND OPTIONS

The recommended institutional arrangement for the Masifunde development is the municipal development entity. This structure would allow for an optimal balance between control (to ensure that maximum benefit flows to the community) and attracting financial resources and expertise from the private sector.

There are essentially two broad options both of which require the establishment of a Municipal Development Agency:

Option One:

Hold the development within the Municipal Development Agency (MDA). In this option the land will be transferred to the MDA by the Knysna Municipality. Finance will be raised from the public and private sector with a strong emphasis on grant financing and "soft loans". The great advantage of this option is that all benefit derived from the development will vest in the local community. The disadvantages of this option are that it will be a lot harder to raise funds and the risk will vest entirely with the MDA.

Option Two:

To hold the development within a development company (in the form of a private company) this will be owned jointly by the MDA and other investors. The disadvantage of this option is that the financial benefit will be spread between the local community and external investors. The advantage is that it will be easier to attract funding and that the risk will be spread between the MDA and private sector investors. A further advantage is that a vested interest by the private sector will ensure the requisite level of expertise will be brought to bear on the development to ensure its success.

It is important to note that the split between the MDA and the private sector could be anything from 90 % MDA and 10% private sector or visa versa.

The keys are:

- Maximise the percentage of the development owned by the Municipal Development Agency, and
- Attract the right partners who will provide the right financial instruments at the right price and bring a high level of expertise to the development





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CHAPTER 3: IMPLEMENTATION PLAN

3.1 INTRODUCTION

Currently the Masifunde Node is underdeveloped and surrounded by informal and low cost residential units and some informal trading. As a result, in spite of the magnificent views from the site, the land is not of much value. The value of the land would increase substantially if the Node is developed as envisioned. The Knysna Local Municipality does not have the financial resources to undertake the development of the Masifunde Node on its own. It is therefore necessary that the right kind of external funding is attracted. In addition, due to the nature and location of the facility, as well as the proposed benefit to previously disadvantaged communities, local communities need to be involved in the process.

3.2 IMPLEMENTING THE MUNICIPAL DEVELOPMENT ENTITY

There are a number of steps that need to occur as part of this process and include:

- 1. Source Funding and the right partners
- 2. Establish the Legal Entities A Municipal Development Agency and a Development Company
- 3. Tender Process
- 4. Appoint preferred bidder

3.2.1 FUNDING

The Masifunde Node development cannot be funded by Knysna Local Municipality. Although the initiative is being driven from this level the Municipality does not have the resources to develop and maintain such an initiative. The vision of the Masifunde Node development is that it be self sufficient and profit driven to maximise the benefit to all stakeholders.

The funding for the proposed development can be sourced from two respective sources namely:

- Private Sector Investors: Private sector investors who are willing to provide the capital for the construction of the various development activities will be approached and these investors will be shareholders in the company which will be formed as part of the legal entity for the Masifunde Node development.
- Public Sector Grants: Public funding will be sourced through grants etc. in order to provide the capital needed for the construction costs for the various development activities.

The funding options will have a large impact on the profitability of the development.

3.2.2 ESTABLISH A LEGAL ENTITY

As discussed earlier in the report it is essential that the legal entity chosen be established as soon as possible. This will ensure that when the funding is sourced the legal entity is operational and the planning can occur for the actual implementation process.





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A detailed business plan will need to be created for the entities outlining resources required, estimated income and expenses.

3.2.3 TENDER PROCESS

The public procurement procedure will have to be followed throughout the development as the land on which the development will take place is public property and therefore the Knysna Municipality needs to invite tenders from the Private Sector to lease and operate portions of the Masifunde Node development. This depends on which development activity is pursued. The various development activities could be developed by different investors etc. and this matter will need to be clarified before hand to determine if procurement is necessary.

Procurement has to be handled within the framework of the Preferential Procurement Policy Framework Act and Knysna Local Municipality Procurement Policy as guidelines.

The **Preferential Procurement Policy Framework Act** (PPPFA) and its 2001 regulations set a framework within which persons disadvantaged by unfair discrimination must be advanced once an organ of state has decided to implement a policy of preferential procurement. The PPPFA states that each organ of the state must have a procurement policy.

People previously disadvantaged by unfair discrimination are currently called Historically Disadvantaged Individuals. The PPPFA regulations, of 28 September 2005, still define the term Historically Disadvantaged Individual (in Reg. 1). It is a South African Citizen who could not vote before 1983 and / or a female and / or a disabled person. These regulations are expected to be amended to bring them into line with the BBBEE Act.

Because of the historical inequalities in South Africa and the need to create opportunities for HDIs, Knysna Municipality has developed a **Preferential Procurement Policy**. The aim of this policy is to promote entrepreneurship amongst local communities and amongst former employees, and to give emerging businesses the opportunity to gain access to the economy.

The Knysna Municipality's revised Procurement Policy was adopted by council on 22 November 2005. The policy gives special attention to priority population groups who have historically been excluded from the mainstream of the economy and aims to ensure that a percentage of all work contracted is awarded to historically disadvantaged individuals, SMMEs, Local Businesses and affirmative businesses. Women and the physically challenged are also given consideration.

The procurement activities within Knysna Municipality includes the provision of goods, services, engineering and construction works, professional services, disposal of goods other than immovable property, acquiring or granting of rights as applicable to procurement and the management of stock.

The preferential procurement policy objectives of the Knysna Municipality are to utilise procurements and disposals where appropriate to promote:

The redressing of business ownership patterns along racial and gender lines;



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- Employment to skilled workers residing within the jurisdictional area of the Municipality;
- Businesses located within the jurisdiction of the Municipality primarily; but also including the Eden District Council boundaries, and
- Increase in the market share of small businesses.

As a general rule, all contracts below the value of R200 000 are put to public tender. For contracts below R10 000, written quotations are sufficient.

The development should also adhere to the **Broad-Based Black Economic Empowerment (BBBEE)** Act, 53 of 2003. The Preamble to the BBBEE Act states that under apartheid race was used to control access to South Africa's productive resources and access to skills. It continues by stating that South Africa's economy still excludes the vast majority from ownership of productive assets and the possession of advanced skills.

Then it draws our attention to the fact that South Africa's economy performs below its potential because of the low level of income earned and generated by the majority. Finally, it makes an appeal to our self-interest by stating that unless steps to increase the effective participation of the majority in the economy, the stability and prosperity of the economy may be undermined.

The BBBEE Act was enacted in order to redress the imbalances of the past. Firstly, it was enacted to promote the achievement of the constitutional right to equality, in terms of Section 9, the Equality clause in the Constitution. More particularly, the BBBEE Act was enacted to increase broad-based and effective participation of black people in the economy and also to promote a higher growth rate, increased employment and more equitable income distribution.

This being a modern, Constitutional state, where there are diverse people and a variety of competing interests at stake, the need for redress is tempered by modern constitutional and economic principles. The first is the need to establish a national policy on broad-based black economic empowerment.

The national policy on BBBEE also has sound economic as well as constitutional objectives in mind. This includes promoting the economic unity of the nation, protecting the common market, and promoting equal opportunity and equal access to government services.

The Constitutional objectives are:

- The promotion of equal opportunity and
- equal access to government services

Section 3 of the BBBEE states that:

Any person applying this Act must interpret its provisions so as to give effect to its objectives; and to comply with the Constitution

Section 10 states that every organ of state and public entity must take into account and as far as is reasonably possible, apply any relevant code of good practice issued in terms of this Act in:





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- Determining qualification criteria for the issuing of licences, concessions or other authorisations in terms of any law;
- Developing and implementing a preferential procurement policy;
- Determining qualification criteria for the sale of state-owned enterprises; and
- Developing criteria for entering into partnerships with the private sector.

There are two broad types of expertise required for the development – Construction (which will be time framed) and property management (which will be ongoing).

In terms of the tender process for the property management component only companies with the following expertise and specialisation should be considered as part of the tender process:

- 1. The company must have a proven record in centre or property management.
- 2. Professional property management services need to offer the following services:
- Property maintenance
- Increased occupancy
- Reduced tenant turnover
- Improved tenant relations
- Maintenance of property records
- Expense analysis
- Financial reporting
- Management counselling.

3. As such the functions of the property manager needs to include the following:

- Leasing
- Tenant administration
- Insurance
- Security
- Maintenance
- Management of expenses and income
- Budgeting, record keeping and reporting
- Marketing

4. The preferred bidder needs to have the following knowledge:

- A knowledge of the basic principals of the property business
- Be adequately informed about the economic base of the area in which the property is located. They should also be familiar with market forces affecting the type of property being managed.
- Have a degree of technical knowledge about the building structure, components and systems.
- Maintain good people relations on all levels, be it with tenants, the municipality and his/her own personnel
- Be well versed in the practical implications of the various legal constraints
- Have a working knowledge of financial and accounting principals, procedures and administration.





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CHAPTER THREE: IMPLEMENTATION PLAN

3.2.4 APPOINTMENT OF THE PREFERRED TENDER

Once the preferred tender has been identified, namely a private company/organisation with the experience, knowledge and skills as identified above, a contract needs to be signed which will identify the following:

- The identification of the parties and property
- A 99 year lease is suggested for the property
- The responsibilities of the manager. These will include:
 - o Finding suitable tenants for the Masifunde Node
 - o Day-to-day operation of the centre
 - o Maintenance of the centre
 - o Marketing of the centre
 - Financial management, including the collection of rentals, up to date financial statements and records for personnel
- Fees and leasing commissions (to be discussed in Section Four).
- Signature of the parties.

3.3 CONCLUSION

The above chapter has indicated the proposed legal guidelines which have to be adhered to in order to establish the legal entity for the Masifunde Node development. This forms a vital part of the required procedure for the operational plan.





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OPERATIONAL PLAN

CHAPTER FOUR: ACTION PLAN

CHAPTER 4: ACTION PLAN

4.1 ACTIVITIES

The various actions which need to be undertaken by the various stakeholders include the following:

PHASE	KEY ACTIVITY	RESPONSIBILITY
ESTABLISH PROJECT TEAM	 Decide on the skills required for the implementation phase of the project Establish a project team 	 Knysna Municipality
PUBLIC MEETINGS	 Hold a public meeting to generate awareness of the project, buy-in from stakeholders and support 	 Project team
MARKETING CAMPAIGN	 Compile a marketing document which is to be circulated to attract investors Compile a list of potential investors / partners Meet with investors to sell project and negotiate terms of engagement 	 Project team Private sector Government Organisation
ESTABLISH LEGAL ENTITY	 Establish the chosen Legal Entity /-ies 	o Knysna Local Municipality
PARTNERSHIPS	 Select the appropriate partners and finalise the terms of engagement Enter into agreements with selected partners 	 Knysna Municipality Project team
PROCUREMENT PROCESS	 Write a detailed tender document and invite tenders Evaluate the tenders and select the service provider Sign an agreement with service providers Put in place the necessary resources and infrastructure within the entities 	 Knysna Local Municipality Investors Preferred tender
CONSTRUCTION	 Oversee the construction process 	o Development Company
ESTABLISHMENT	 Identify the tenants Sell residential units Transfer land to owners 	 Knysna Local Municipality Development Company







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MANAGEMENT	0	Ongoing management of the	0	Development Company
		development company and		
		agency		





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REFERENCE LIST

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ANNEXURE 6

